



**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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Mary Taylor, CPA

Auditor of State

Agricultural Society
Ottawa County
7870 W. State Route 163
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

October 29, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Ottawa County
7870 W. State Route 163
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

We have audited the accompanying financial statements of Agricultural Society, Ottawa County, (the Society) as of and for the years ended November 30, 2007 and 2006. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Agricultural Society, Ottawa County, as of November 30, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2008, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 29, 2008

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

	2007	2006
Operating Receipts:		
Admissions	\$164,012	\$154,555
Privilege Fees	30,729	28,243
Rentals	60,054	61,875
Sustaining and Entry Fees	24,675	26,760
Parimutuel Wagering Commission	973	991
Other Operating Receipts	16,924	13,707
Total Operating Receipts	297,367	286,131
Operating Disbursements:		
Wages and Benefits	38,544	25,152
Utilities	27,581	27,616
Professional Services	85,676	96,315
Equipment and Grounds Maintenance	73,582	69,970
Race Purse	52,702	54,729
Senior Fair	7,504	6,214
Junior Fair	29,518	28,576
Capital Outlay	15,493	10,249
Other Operating Disbursements	68,511	69,831
Total Operating Disbursements	399,111	388,652
Deficiency of Operating Receipts Under Operating Disbursements	(101,744)	(102,521)
Non-Operating Receipts (Disbursements):		
State Support	29,044	29,155
County Support	26,063	19,100
Sale of Fixed Assets	224	
Donations/Contributions	24,360	17,344
Investment Income	308	822
Debt Service	(5,000)	(5,000)
Net Non-Operating Receipts (Disbursements)	74,999	61,421
Deficiency of Receipts Under Disbursements	(26,745)	(41,100)
Cash Balance, Beginning of Year	27,586	68,686
Cash Balance, End of Year	\$841	\$27,586

The notes to the financial statement are an integral part of this statement.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Agricultural Society, Ottawa County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1964 to operate an annual agricultural fair. The Society sponsors the week-long Ottawa County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series. Ottawa County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 24 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Ottawa County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including flea market, craft show and toy show. The reporting entity does not include any other activities or entities of Ottawa County, Ohio.

Note 7 summarize the Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Accounting Basis

The financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

G. Race Purse

Ohio State Race Series stake races are held during the Ottawa County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and Northwestern Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

H. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

2. CASH

The carrying amount of cash at November 30, 2007 and 2006 follows:

	2007	2006
Demand deposits	(\$8,707)	(\$2,041)
Savings Account	9,148	29,227
Cash on hand	400	400
Total deposits	\$841	\$27,586

The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2007 and 2006 was \$21,696 and \$21,704, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2007	2006
Total Amount Bet (Handle)	\$ 21,600	\$ 21,967
Less: Payoff to Bettors	(17,289)	(17,576)
Parimutuel Wagering Commission	4,311	4,391
Tote Service Set Up Fee	(930)	(935)
Tote Service Commission	(1,863)	(1,905)
State Tax	(545)	(560)
Society Portion	\$ 973	\$ 991

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

4. DEBT

Ottawa County loaned the Society \$100,000 on December 20, 2000, for the building of an office complex. The original terms required the Society repay the loan at a rate of twenty thousand dollars (\$20,000) per year plus interest of 4 percent. The County Commissioners have forgiven the principal that was due in 2001 and 2002 in the amount of \$40,000. The Society now makes annual payments of \$5,000 per year for interest and principal. As of November 30, 2007, the Society owed \$42,400.

5. RISK MANAGEMENT

The Ottawa County Commissioners provide general insurance coverage for all the buildings on the Ottawa County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

The Society is exposed to various risks of casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

The aforementioned casualty reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Casualty settlements did not exceed insurance coverage for the past three fiscal years.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

5. RISK MANAGEMENT – (CONTINUED)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Society terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$9,978
2006	\$9,626
2007	\$10,285

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, and FCCLA organization representatives, is responsible for the Junior Fair Division activities of the Ottawa County Fair.

The Junior Fair Board activity is accounted for in the accounting records of the Society and is reflected in the accompanying financial statement. The Society subsidizes the Junior Fair Division to the extent necessary each year.

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Ottawa County's auction. A commission of 6 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Beginning Cash Balance	\$5,620	\$12,361
Receipts	189,409	189,932
Disbursements	<u>(189,508)</u>	<u>(196,673)</u>
Ending Cash Balance	<u><u>\$5,521</u></u>	<u><u>\$5,620</u></u>

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Agricultural Society
Ottawa County
7870 W. State Route 163
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

We have audited the financial statements of the Agricultural Society, Ottawa County, (the Society) as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated October 29, 2008, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated October 29, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Society's management in a separate letter dated October 29, 2008.

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management and the Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 29, 2008

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Cash Reconciliation – Material Weakness

The Treasurer did not provide accurate cash reconciliations for the years 2007 or 2006. The bank reconciliation, the annual report, and the accounting system all had differing balances. This could allow errors or cash shortages to go undetected and does not allow for accurate financial reporting.

We used additional audit time for this portion of the audit and the Society obtained the services of a public accountant to correct the reconciliation. Upon receiving the adjusted and balanced reconciliation we proposed adjustments to the 2007 financial statements for checks the Treasurer wrote and posted for current bills but held until the Society obtained a line of credit received in the next fiscal year (December, 2007). We removed \$1,200 in capital expenditures and \$7,900 in professional services from 2007 activity and had the Society post these as 2008 activity in order to report a balance more reflective of the Society's cash position at November 30, 2007.

The applicable adjustments have been posted to the Society's accounting records and financial statements.

We recommend the Treasurer reconcile cash accounts to the ledger monthly and investigate any differences on a timely basis. We also recommend the Treasurer only prepare annual reports that are in agreement with the cash reconciliations. A member of the Board or Audit Committee should check the accuracy of the reconciliations on a periodic basis.

In addition, the Society should adopt policies and procedures, including a final review of the financial statements and note disclosures by the Treasurer and the Board, or the Audit Committee to identify and correct errors and omissions.

Officials' Response:

We have hired a local public accountant to assist us with reconciling and do not expect this problem in future audits.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

OTTAWA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2008**